The Commercial Revolution: Results of European Expansion

The term Commercial Revolution summarizes the effects that overseas expansion had on both western Europe and the rest of the world.

1. **Effects on Europe**

   a. **Increased Imports and World Trade**

      1. Western Europe imported many commodities from the New World and the far East: potatoes, tomatoes, peanuts, chili peppers, avocados, squash, pumpkin, Indian corn (maize), tobacco, chocolate, cane sugar, tea and quinine. Some of these items were new to western Europe. Introduced into the New World from Europe were citrus fruits, grapes, bananas, sugar cane, honeybees, grains, livestock, wheats, cattle, sheep, pigs, horses. Others, though previously known, became cheaper and more plentiful. Their availability helped improve west European living standards.
      2. Large quantities of gold and silver received from New World mines substantially affected western Europe's economy. Since these metals served as currency, consumers had more money to spend for goods. Vigorous bidding for these goods raised prices, thus causing inflation. Landlords demanded higher rents, workers required higher wages, governments imposed higher taxes.
      3. To reduce the risk of loss to ships and goods from storm, fire and piracy, west European merchants originated insurance. Each merchant contributed a specified sum, called a premium, to a common fund, from which a business person who suffered a loss was compensated. A noted insurance company, founded in the 17th century, was Lloyd's of London.

   b. **Shifted Economic Power**

      1. Western Europe's major trade routes shifted from the Mediterranean and Baltic to the Atlantic. The Italian city-states and north German cities declined in importance ; the European nations, bordering the Atlantic, increased their commerce, wealth and power. The nation-state became preeminent in world affairs.
      2. Western Europe's population increased, in part due to the availability of additional food supplies. Western Europe's population also began to change residence from rural areas into urban centers. Some lesser nobles and many peasants, both groups having difficulty surviving on the land, moved to the cities. Cities offered opportunities for business owners (entrepreneurs). In cities workers could find jobs in new industries such as shipbuilding and armaments manufacture. Cites also held promises of greater social mobility, richer cultural existences and a wider variety of life-styles.
      3. Western Europe's middle class – merchants, bankers, capitalists – grew in number and achieved greater economic power. However, the middle class was

not content. Considered inferior to the landowning nobles and ruled by absolute monarchs, the middle class lacked social status and political power.

c. **Adopted Mercantilism**.

Eager to secure more funds for royal treasuries, west European governments became interested in economic affairs. To further the national prosperity, these governments applied the economic theories of mercantilism. The mercantilists argued that a nation must

1. Attract the maximum amount of gold and silver, since wealth is measured in these metals;
2. Export more than it imports, thereby achieving a favorable balance of trade and receiving payment for the difference in gold and silver;
3. Increase exports by stimulating domestic industries with subsidies;
4. Discourage imports of foreign manufactures by levying tariffs;
5. Acquire colonies to assure markets for manufactured goods and to guarantee sources of raw materials;
6. Restrict colonial manufacturing, and
7. Forbid colonies to trade with any country except the mother country. Colonies exist for the benefit of the mother country.

d. Moved Toward the Economic System of Capitalism

1. Western Europe changed from the relatively static, localized, nonprofit economy typical of the Later Middle Ages to the beginnings of a dynamic, world-wide, profit - oriented system called capitalism.
   Entrepreneurs engaged in business enterprises, taking risks and facing competition, in the hope of making a profit. They operated in a market economy in which the prices of goods and the wages of workers were determined largely by supply and demand. Entrepreneurs sometimes founded joint-stock companies and secured charters from their governments granting monopolies over trade and colonization in specific overseas territories. To raise capital, joint-stock companies sold stock to numerous investors who would share in the profits or losses of the business but who left its management to elected officials. The joint-stock company was the forerunner of the present day corporation.

2. Banks arose in western Europe to meet the needs of business enterprises for funds. The growth of banks was aided by
   a. The increased supply of currency resulting from the importation of New World gold and silver and
   b. The relaxation of Roman Catholic Church prohibitions against usury – the lending of money for interest. This relaxation came as people realized that capital played a vital and productive role in business enterprise. Two famed banking families – both originating as merchants and evolving into bankers – were the Medici in Italy and the Fuggers in Germany.
      Bankers devised various new credit facilities:
      Bills of exchange
      Checks
      Bank notes

Effects on the Rest of the World

- Diseases coming from Europe decimated Native populations in the Americas. These included smallpox, influenza, typhus, measles, diphtheria, whooping cough, malaria. (Historians believe that syphilis came to Europe from the New World).
- Europeans bought slaves in Africa and transported them to the New World to provide labor for the plantations and mines.
- Many Europeans migrated to overseas colonies, either to escape religious persecution or to improve their personal economic condition.
- Trade and emigration spread European civilization throughout the world.